

Homeowners Insurance

Consumer's Guide



Prepared by

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, Virginia 23218

(804) 371-9185
(877) 310-6560

Website: <http://www.scc.virginia.gov/division/boi/index.htm>



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COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS
COMMISSIONER OF INSURANCE



STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1151
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-8741
TELEVOICE: (804) 371-9266

The State Corporation Commission's Bureau of Insurance has prepared this Consumer's Guide to help you understand homeowners insurance and to get the coverage that best suits your needs. This guide explains the basic coverages that are included in homeowners policies and the types of homeowners policies that are available. Information is also included that will help you as you shop for a policy.

If you need more information about homeowners insurance, please call or write the Bureau of Insurance. You can call us in Richmond at (804) 371-9185 or on the State Corporation Commission's toll-free "hot line" number, which is (877) 310-6560.

I hope that this guide will be helpful to you and that you will contact us if you have homeowners insurance questions or concerns.

Sincerely,

Alfred W. Gross

Commissioner of Insurance

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1.

Tips to Remember When Buying a Policy

- **Answer the questions on the application** completely and honestly.
- **Do not sign a blank application.**
- **Do not pay the agent in cash.** Make a check payable to the insurance company. And include the type of policy that you are paying for (auto or homeowners, etc.).
- **If you are turned down for insurance,** ask for the specific reason.
- **Do not buy on price alone; consider coverage and service.** Select a company and agent you feel you can trust.
- **Do not forget to ask about discounts** for safety and security devices (burglar alarms, fire alarms, dead bolts).
- **Remember to use the Insurance Quotation Worksheet** to see which company has the lowest price for you.
- **Ask if the company gives a new home discount or multi-policy discount.**
- **Ask about the difference in price** between a “named peril” policy and an “open perils” policy.





1. Tips to Remember When Buying a Policy

- **Make sure your dwelling policy limits are at least 80% of the replacement cost of your home.** If you do not have a recent appraisal, ask your agent to help you.
- **Does the company offer an inflation guard endorsement,** and will they guarantee replacement cost coverage for your dwelling?
- **Discuss with your agent whether you should list your valuable items of personal property on a personal property schedule.** Does the company offer full replacement cost coverage on your personal belongings?
- **Ask about the difference in price** for basic liability limits of \$100,000 and a higher limit such as \$300,000 or \$500,000.
- Companies are required by law to offer you water and sewer back-up coverage. **If your property is subject to water which backs up through the sewer or drains, make sure you get this coverage.** You may have to pay extra.
- Companies are required by law to offer you building ordinance or law coverage. **This provides protection when a building damaged by a covered peril must be repaired or rebuilt in a more costly manner because the original construction does not comply with current building codes.** This coverage may cost you extra.
- **Your homeowners policy has some provisions that may prevent you from receiving payment for a claim even if you have paid the premium.** If your home or apartment is left vacant or unoccupied, some part of your coverage may be suspended automatically. When you plan a long vacation, or when you are moving either in or out of your home, or if your home will remain vacant for any other reason, you should ask your agent or company which coverages will be suspended.
- **Ask your agent if he charges any additional fees over and above his commission.** Agents are allowed to charge fees for services, such as photocopying, mailing and faxes, as long as the applicant or policyholder consents in writing before the services are performed. A schedule of fees must be kept in the agent's office. If you think your agent is charging too much, check with other agents to find out if they charge additional fees.

2.

Why You Need Homeowners Insurance

Homeowners insurance is something that most people do not think about until they have to use it. Although we know that there are always fires, thefts and accidents, we tend to think, “The odds are that will never happen to me.” Well, the odds are that it “might” happen to you. Buying homeowners insurance will not prevent fires, thefts or some other types of loss, but it can help you recover from the financial effects of a loss that is covered by your policy. A homeowners policy can also protect you if someone is hurt or has their property damaged because of something that you do or something that you own.

There are different types of homeowners policies available to fit your housing situation. Whether you live on a farm, ranch, or own or rent a home, condominium, or mobile home, homeowners insurance is valuable protection that you should not be without. Your home is probably your largest and most important investment, an insurance policy will help you shield that investment. You will also need insurance to protect the lender if you have borrowed money to purchase your home.





3.

Basic Coverages Included in Homeowners Policies

The homeowners insurance policy is a package policy that combines more than one type of insurance coverage in a single policy. The cost of the package policy is usually cheaper than if all of the coverages were bought separately. There are four types of coverages that are contained in the homeowners policy:

- **property damage coverage** protects your home or belongings if they are damaged or destroyed by certain causes;
- **liability coverage** will pay if you cause another person to be injured or another person's property to be damaged or destroyed;
- **medical payments coverage** will pay for medical treatment for certain persons injured in an accident in your home and certain situations away from your home whether or not you were at fault;
- **additional living expenses coverage** will pay for you to move into a motel or apartment temporarily and will cover certain other additional living expenses when you cannot live in your home because of damage that is covered by your policy.

A. Property Damage Coverage

Many years ago most people bought insurance that would protect them only if their home was damaged by fire. Over the years, insurance companies began to offer protection for damage or loss from other causes such as windstorm, hail, vandalism and theft. This type of homeowners insurance policy is referred to as a "named peril" policy. It covers damage to your home only if the loss is caused by something specifically listed in the policy. There is a second type of homeowners insurance policy that covers damage or loss from all causes except causes that are specifically excluded. This



comprehensive policy is referred to as an “open perils” policy. Today, most insurance companies in Virginia sell both “named peril” homeowners insurance policies and “open perils” homeowners insurance policies.

It is important to realize that even an “open perils” policy does not cover every possible cause of loss. No homeowners insurance policy available in Virginia today covers property damage losses due to all causes. For example, no homeowners policy pays for damages caused by nuclear accidents or war, and generally, homeowners policies do not cover damages caused by flood.

B. Liability Coverage

Under the liability section of your homeowners policy your insurance company will pay if another person is injured or if another person’s belongings are damaged due to your fault. Liability coverage in a homeowners policy is not limited to accidents that occur at your home. **It provides protection to you and your family wherever an accident may occur.** For example, your insurance will protect you if:

- Your child injures a playmate at school.
- You hit a golf ball through a window.
- The letter carrier slips and falls on your front steps.
- Your friend slips and falls down the stairs in your home.
- You accidentally break a window at a restaurant.
- Your dog bites a neighbor; however, your insurance company may exclude coverage if you have a dangerous or vicious dog that has previously bitten or attacked

When you or a member of your family are legally responsible for injury to others, the liability coverage under your homeowners policy will usually cover the damage and pay for a lawyer to defend you. There are some exceptions. The liability coverage will not protect you if you are sued as a result of something you did in your job or for something you did intentionally to harm someone else. And, it will not pay for



3. Basic Coverages Included in Homeowner Policies

liability arising out of the use of an auto, most motorized land vehicles including mopeds while in use away from the insured property, or aircraft.

The basic limit for liability coverage is usually \$100,000 for each occurrence. You can request higher limits which are available for an additional cost.

C. Medical Payments Coverage

Medical payments coverage is usually contained in the liability section of your homeowners policy. **Unlike liability coverage, which provides protection only if you are at fault, medical payments coverage pays if someone is injured in your home regardless of fault.** As a minimum, this part of your policy will pay for reasonable medical expenses incurred within one year from the date of loss for a person who is injured in an accident in your home. The coverage does not apply to you and members of your household. For example, if a neighbor's child chips a tooth while playing in your home, the medical payments portion of your homeowners policy will pay for necessary dental work. The medical payments portion of your homeowners policy will also pay if you are involved in the injury of another person away from your home in some limited circumstances. Medical payments coverage limits are generally \$1,000 for each person. You may request higher limits.

D. Additional Living Expenses

If it is necessary for you to move into a motel or apartment temporarily because of damage caused by a peril covered by your policy, your insurance company will pay reasonable and necessary additional living expenses. It is important to note that your company will not pay for all the living expenses that you have. It will only pay those additional expenses above and beyond the normal and customary expenses. The typical policy will pay an amount up to 20% of the policy limit on your dwelling for these expenses. You should also note that if you move in temporarily with a friend or relative and do not have any extra expenses, you will not be paid any additional living expenses by your insurance company.



E. Other Coverages

The homeowners policy also provides coverage for the contents of your home, other structures on your property, and trees and shrubbery.

Other Structures on Your Property – In this part of your homeowners policy, your insurance company promises to pay if a garage, toolshed or other building on your property, but not attached to your home, is damaged by a peril covered by your policy. The usual policy limit for damage to out-buildings is 10% of the policy limit on your dwelling. More coverage is available for an additional premium. This coverage may not be included in certain special types of homeowners policies such as a renters policy.

Personal Property – The amount of insurance protection for the contents of your home is usually 50% of the policy limit on your dwelling. Your homeowners policy also provides more limited coverage for personal property if it is stolen or damaged away from home, such as when you are on vacation. For example, your policy may only pay \$1,000 or 10% of the total coverage on your personal property if your loss happens away from your home.



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3. Basic Coverages Included in Homeowner Policies

Coverage is limited to very small amounts for certain types of property that are especially susceptible to loss, such as cash, securities, jewelry, furs, manuscripts and stamp or coin collections. You may receive a total of only \$1,500 for all furs or jewelry stolen in a single theft. A \$500 limit usually applies to all securities, receivables, travel tickets, and stamp collections. Typically there is only \$100 coverage for all money, coins, or bank notes regardless of the actual amount lost. **Additional amounts of insurance can be purchased, and you should ask your agent for information about scheduling these items separately and the cost.**

Trees, Shrubs, and Plants – This part of your policy provides protection against damage to greenery on your property. The coverage on trees, shrubs, and plants is provided only against certain perils. For example, damage to greenery caused by windstorm or ice is not usually covered even if you buy an “open perils” policy. The total amount that your policy will pay for trees, shrubs, and plants is usually limited to 5% of the policy limit on your dwelling with a \$500 maximum per item.

Debris Removal – This part of your policy pays to remove debris of covered property if the damage that caused the debris is covered by your policy. Your policy will also pay to remove fallen trees **that cause damage to your covered property.** This coverage is included in the limit on your policy. If the loss exceeds your policy limit, the policy will pay an additional 5% for debris removal.



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4.

Types of Homeowners Policies

Virginia has a regulation that provides minimum standards for coverages that must be included in all policies. While a number of companies offer basically the same coverages, many sell a policy that provides extra or broader coverages.

The policies have various names depending on the insurance company that sells them.

Standard policies are often referred to as:

- HO-2 Broad Form (Named Peril)
- HO-3 Special Form
- HO-4 Renters Insurance (Contents Broad Form)
- HO-5 Comprehensive Form (HO-3 with HO-15,
Special Personal Property Coverage)
- HO-6 Condominium Unit Owners
- MV Market Value or Older Homes Forms
(Modified Coverage Form)

The type of policy you choose should depend on:

- Your type of housing;
- How much you are willing or able to pay;
- How much coverage you believe is necessary for your situation.

The different types of homeowners policies vary according to the types of property they are designed to cover and the number of “perils” (causes of loss) that they cover. As mentioned earlier, policies may be of the “named peril” type, the “open perils” type, or a combination of the two types.



4. Types of Homeowners Policies

“Named peril” homeowners policy forms are sold by most insurance companies in Virginia. The property damage section of these policies contains a promise to pay for losses to your home or its contents that are caused by the perils actually named in the policy. If your property is damaged due to a peril not listed in the policy, your insurance company will not pay for the damage. The “named peril” policy covers most but not all of the common causes of damage to a person’s home or belongings. If you are considering purchasing this type of policy be sure that you are satisfied with the coverage that will be provided.

Most companies also sell a homeowners policy that combines the features of the “open perils” policy and the “named peril” policy. This policy is called the Special Form (HO-3). The property damage section of this policy provides “open perils” coverage on the building and other structures by promising to pay for all losses to your property except when the loss was caused by a peril that is specifically excluded by the policy. It provides “named peril” coverage for the contents of your home. The named perils are usually those listed in the Broad Form (HO-2).

The “open perils” policy gives much more insurance protection and often, the extra premium for this type of policy is relatively small. When shopping for insurance ask for a price quotation on both an “open perils” policy and a “named peril” policy. If the difference in price does not seem large to you, you may want to buy the “open perils” policy. If you do, you will have purchased much more insurance coverage.





A Quick Summary of Coverage Under Each Type of Policy

A. The HO-2 (Broad Form) is a named peril policy and covers the following perils:

1. Fire and lightning
2. Removal of property endangered by any insured peril
3. Windstorm
4. Hail
5. Explosion
6. Riot and civil commotion
7. Vehicle or aircraft damage to your property
8. Smoke
9. Vandalism and malicious mischief
10. Breakage of glass
11. Theft
12. Falling objects
13. Weight of ice, snow or sleet damage
14. Collapse of building and any part thereof
15. Sudden and accidental damage, cracking, burning or bulging from steam or hot water heating system or appliances for heating water
16. Accidental discharge or overflow of water or steam from plumbing or heating systems
17. Freezing of plumbing, heating or air conditioning systems and domestic appliances
18. Sudden and accidental injury from artificially generated electrical currents
19. Limited coverage for trees, shrubs or plants
20. Additional living expenses
21. Personal liability insurance protection
22. Medical payments coverage



4. Types of Homeowners Policies

- B. The HO-3 (Special Form) provides the following coverage:
1. Usually covers a building against all perils except flood; earthquake; neglect; war; nuclear accident; damage resulting from freezing of an unoccupied building; enforcement of an ordinance; damage to fences, patios, swimming pools, etc., by freezing, thawing or pressure or weight of ice or water; interruption of power or other utility away from insured premises; and windstorm or hail damage to overhead structures, fences, seawalls, green-houses, wharves, etc.
 2. Covers personal property against damage or loss caused by perils listed in Form HO-2.

Check your policy for a complete listing of perils excluded.

- C. The HO-4 (Renters Insurance) provides the following coverage:

Insures your household contents, personal possessions, additional living expenses, liability coverage and medical payments. It covers all perils listed in the HO-2 Form.

- D. The HO-5 (Comprehensive Form) covers both your real and personal property against all perils except flood, earthquake, war, neglect, nuclear accident and others specified in your policy. Check your policy for a complete listing of perils excluded.



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- E. The HO-6 (Condominium Unit Owners) is available for condominium unit owners to insure their personal property and may include any additions or alterations not insured by the condominium association. There are limits to the alterations and additions coverage. You should discuss increasing this coverage with your agent. The policy covers all perils listed in the HO-2 Form.

For complete protection, a condominium owner should also be covered by a policy covering the condominium association. Usually the association purchases the coverage. The association policy should cover the basic structure and common property as well as liability for injuries on common property. You should know what is covered under the association's policy in order to determine if any additional protection is needed under your HO-6 policy. For example, you should discuss the benefits of purchasing additional coverage for loss assessments.

- F. The MV (Market Value Form) is designed for older homes, usually constructed in a way that it is not economically feasible to duplicate them following a loss. The MV allows owners of older homes to carry lower limits of insurance, such as the market value of the home, rather than the 80% of replacement cost used for newer homes. The policy contemplates returning the property to serviceable condition, with the use of commonly used materials, not necessarily materials of the same kind and quality as the original.

5.

Buying the Correct Amount of Coverage

The most common mistake made by people buying homeowners insurance is not buying enough coverage. It is very easy to continue buying the same amount of insurance year after year even though the value of your home is increasing due to inflation and improvements which you make. If you are not careful, this can have an unfortunate impact on what you collect from your insurance company if your home is damaged, even if the loss is small. It is important to check your insurance every year to be certain that you have adequate coverage. When deciding how much insurance you need, you must also decide whether you want to purchase an “open perils” or “named peril” policy.

Some of the factors that you should consider when buying homeowners insurance are outlined in this section. You should also discuss your insurance needs with an insurance agent. It is this person’s job to help you choose the right type and amount of insurance.





Typical Coverages

Type of Coverage	Policy Limit
I. Property Damage Coverage	
a. Dwelling	\$100,000
b. Other Detached Buildings (garage, toolshed, etc.)	10% of the dwelling policy limit (\$10,000)
c. Personal Property on Premises	50% of the dwelling policy limit (\$50,000)
d. Personal Property off Premises	10% of the contents coverage limit (\$5,000)
e. Additional Living Expenses	20% of the dwelling policy limit (\$20,000)
II. Liability Coverage	
a. Personal Liability	\$100,000 each occurrence
b. Medical Payments	\$1,000 each person

A. Choosing Your Policy Limits

The first step towards determining what policy limits you need is to determine what it would cost to replace your house. The best way to do this is to have an appraiser estimate how much it would cost to rebuild your home if it were totally destroyed and document his estimate in writing. However, appraisals are expensive, so you may want to rely on advice from your insurance agent. Most agents have charts and home replacement cost estimation procedures to help you determine how much insurance you need. If you are not sure of the replacement cost of your house, ask your agent for help.

Next, take inventory of everything you and your family own in your home and other buildings on your property. You should include everything except autos, animals and items that are insured under other policies. One simple way of making an inventory is with a camera. Use a flash or video camera for a visual record of your belongings. These pictures, your insurance policy and any receipts you have supporting the



5. Buying the Correct Amount of Coverage

value of the property insured should be stored away from home, possibly at work or in your safe deposit box. This inventory provides an estimate of the value of your belongings and it will also help you to collect if you ever have to make a claim.

You need some idea of what your property is worth before you can make an informed decision about how much insurance you need. Then consider:

- How much your furniture and other personal property are worth;
- How much you are willing to pay out of your pocket for small losses;
- How much the insurance will cost.

1. Things to Consider When Choosing Your Policy Limits If You Own Your Home

You should purchase an amount of insurance on your dwelling at least equal to 80% of its replacement cost.

Replacement cost is the amount of money needed to rebuild your house buying all the materials and labor at current prices. Replacement cost can be a lot different from the price you paid for your home.

While it is true that most damage to homes does not result in a total loss, buying less than total insurance coverage will not fully cover small losses. The 80% replacement cost provision contained in most homeowners policies in Virginia means that **you will receive only partial payment for even small losses unless you have coverage at the time of the loss equal to or greater than 80% of the replacement cost of your home.** This policy provision is used by insurance companies to assure that rate levels are fair and equitable and to encourage homeowners to buy the amount of insurance they need.

If you purchase an amount less than 80% of the replacement cost of your dwelling, your insurance company will not be obligated to pay the total cost of a loss



to your dwelling even if there is a small loss. In this case, you will only be entitled to receive the larger of either (1) the “actual cash value” of the loss or (2) a prorated value of the loss based on the ratio of the amount of insurance you purchased compared to the amount of insurance you should have purchased. “Actual cash value” is the amount it would take to replace the property minus a deduction for depreciation due to age and normal wear. For example, if a fire occurs in your kitchen and your policy limits are at least 80% of the replacement cost of your home, your insurance company will pay to complete necessary repairs. If your policy limits are less than 80% of the replacement cost, you will have to pay for a significant portion of the repairs yourself.

Even if you purchase adequate insurance now, it may not be enough in the future. Inflation and rising construction costs increase the replacement cost of your home every year. **You need to review and probably increase the policy limits on your home regularly to be sure you have enough insurance.**

Some companies offer endorsements that will automatically increase the policy's building and contents limits to keep up with inflation. You may wish to contact your agent or company to help you decide whether you need any additional coverage.

2. Things to Consider When Choosing Policy Limits for the Contents of Your Home

Getting full coverage on your personal items also takes special care. **Usually it is best to get extra insurance for your most valuable possessions by listing each item separately on a Scheduled Personal Property Endorsement to your homeowners policy.** This is especially important for those items for which coverage may be limited such as furs, jewelry, manuscripts, coin or stamp collections, securities, money and gold or silver. It is also important for those items that are particularly valuable such as fine arts, musical instruments, antiques, photographic or stereo equipment, video equipment, oriental rugs, silverware, etc.



5. Buying the Correct Amount of Coverage

Listing these items specifically means that coverage for your most valuable belongings will be excluded from the policy limit that applies to all your other personal property. It also means your insurance company will have an indication of what you felt the value of the property was at the time the policy was issued. This indication of value can usually help you to obtain a more satisfactory settlement should a loss occur.

Your personal belongings still may not be fully insured even though you have extra insurance on your most valuable items.

The contents of your home may be worth more than 50% of the amount of insurance you have on your dwelling. If the contents of your home are worth 70% to 90% of the value of the house itself (separately listed items should be excluded), you should let your insurance agent know. It is possible to amend your homeowners policy to provide additional coverage.

In most cases, the usual homeowners policy will not provide replacement cost coverage for your personal belongings that are damaged or destroyed by a covered peril. Instead, you will be paid only the “actual cash value” regardless of your policy limits. This means you will receive the replacement cost minus depreciation for age and condition. Unless your property is brand new or you can prove that it increased in value over time, you will not be able to replace the item with your claim payment. **However, it is possible to purchase a homeowners policy in Virginia that will pay the full replacement cost of your personal belongings.** This means that there will be no deduction for depreciation due to age and normal wear. For example, a suit you purchased three years ago for \$200 is destroyed in a fire. The same suit today might cost \$250. Under some homeowners policies, the insurance company would estimate how much the suit’s value had depreciated over the three-year period and subtract that amount from \$250 to arrive at the amount of your claim payment. This would probably mean that the settlement offer would be significantly less than \$200. However, if you had purchased a policy providing full replacement cost coverage your claim payment for the suit would be \$250.



When buying or renewing your homeowners insurance policy, you should ask your agent if your company sells a policy providing replacement cost coverage on the contents of your home. The price for this type of policy will be higher, but you may decide that it is worth it.

B. Deductibles

Most homeowners insurance policies sold in Virginia have a deductible amount of \$250. This means that you agree to pay \$250 out of your own pocket to repair damage to your home or its contents before you are entitled to collect from your insurance company on each property damage claim you make. This deductible does not apply to claims under the liability or medical payments coverages.

You may purchase a homeowners policy with a larger deductible amount. For example, deductibles of \$500 and \$1,000 are available. If you choose a higher deductible, your annual premium will be less. The disadvantage of a larger deductible is that you will have to pay more out of your own pocket each time a claim occurs. Ask your agent or company how much your premium will be reduced by increasing the deductible.





5. Buying the Correct Amount of Coverage

Some homeowners policies contain a special deductible for wind or hurricane losses. These deductibles are applied separately from any other deductible on the homeowners policy. Some companies automatically include a wind or hurricane deductible, while other companies make this deductible available at the option of the policyholder. Some wind or hurricane deductibles are written as a flat amount, such as \$2,000, while others are applied to the loss as a percentage of the amount of insurance coverage on the dwelling. For example, assume a hurricane causes damage to your house or your personal property amounting to \$5,000, and your dwelling is insured for \$200,000. If your policy has a 2% hurricane deductible, your deductible would be \$4,000, and the company would pay \$1,000.

If your insurance company has increased your deductible, it must tell you and explain how the new deductible will work. If your insurance company has increased your deductible significantly, you may wish to consider purchasing a separate policy which, for an additional premium, allows you to carry a lower deductible. Your agent may be able to provide you with information about this type of “deductible buy-back” policy.





6.

Shopping for Homeowners Insurance

Virginia has a competitive rating law. This means that different companies will be charging different prices for homeowners insurance. You are likely to get a better price if you compare the homeowners policies of several companies before you buy. If you shop around by contacting a number of insurance agents or companies, you will find a combination of quality and price that fits your particular needs.

If you decide to shop for homeowners insurance, the first step towards a careful purchase is to know the value of your property. Then, you should call several insurance companies or agents and ask each one to give you a quotation of what the annual premium would be for insuring your home. Tell each one how much insurance you want and describe your home and its contents. **Keep track of the prices that they give you on the Homeowners Insurance Quotation Worksheet that is included at the back of this guide.** The worksheet will give you a good idea of the type of information that is necessary to give to the company.

The Bureau of Insurance publishes a consumer guide designed especially for comparing sample homeowners insurance premiums in Virginia. Contact the Bureau for a copy of this guide.

Price is important, but it should not be the only thing you consider when choosing your insurance company. Once you have narrowed your search to two or three companies with the best range of prices, you should consider each company's:

- reputation for financial stability;
- policyholder service;
- underwriting practices;
- claims handling practices.



7.

Other Types of Coverage

A. Mobile Home Policies

Although much of the information contained in the previous sections of this booklet is generally applicable to mobile-homeowners insurance, the information contained in this section of the booklet is specifically applicable to mobile-homeowners insurance. There are some special considerations of which you should be aware. Owners of houses do not have to worry about accidents that may occur while their homes are moving down the highway, and they do not have to worry about burglars stealing the entire house and all its contents. Here are some special considerations for those purchasing mobile- homeowners insurance:

- Some companies require notice before your mobile home is moved or all protection under the policy may be suspended. **Also, the typical mobile-homeowners policy usually does not cover collision damage to your mobile home incurred on the highway.** You can usually buy trip collision coverage from your company to cover a certain number of days while you move your mobile home. If you plan to move, contact your agent or company to be sure that you have the insurance coverage that you think you should have.
- **When you buy a mobile home, you may be offered credit life and credit health insurance.** These coverages are designed to repay any outstanding loan on the mobile home if you die or are disabled. Very often the price of these coverages is extremely high. Virginia law says that you cannot be forced to purchase credit insurance. You should consider purchasing other types of life and health insurance especially if you are young and in good health.



If you own a mobile home, you should consider the increased likelihood of loss that you face compared to owners of traditional homes. The construction of a mobile home makes it more likely to be damaged by high winds and falling trees, and the proximity to other homes can increase the likelihood of exposure to fire. Insurance protection for mobile homes may be even more important than for owners of traditional homes.

B. Farm or Ranch Policies

If you are a tenant farmer or if you own a farm, you should purchase a farmowners policy. This type of policy is sold by most insurance companies in Virginia. A farmowners policy resembles a homeowners policy in many ways. The information contained in the first seven sections of this guide generally applies to farmowners insurance. In addition you should be aware of the following:

1. **The usual farmowners policy does not provide replacement cost coverage on your dwelling no matter what policy limits you may purchase.** You can buy replacement cost coverage for your farm, but you must ask for it.
2. **Crops, livestock, and farm equipment usually must be insured under separate policies.** Check with your agent to make sure that your entire farm operation is adequately insured.





7. Other Types of Coverage

C. Flood Insurance

Homeowners insurance policies issued in Virginia generally do not provide coverage for damage to your home and belongings due to floods, surface water, or surges. However, flood insurance is available through the National Flood Insurance Program (NFIP), so be sure to contact your insurance agent or company about purchasing this coverage. The National Flood Insurance Program may be contacted directly at:

National Flood Insurance Program

Post Office Box 6464

Rockville, Maryland 20849-6464

(888)379-9531

(800) 427-5593 TDD

www.floodsmart.gov

The NFIP provides coverage for direct flood and flood-related damage to homeowners, renters, and business owners in communities that adopt and enforce floodplain management ordinances to reduce future flood losses. Keep in mind, in most cases there is a 30-day waiting period before a new flood insurance policy becomes effective.”

Flood is defined by the NFIP as a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is the policyholder’s property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- Mudflow; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.



Nearly all direct physical losses by “flood” are covered under the program. Losses from water seepage, sewer back-up, or hydrostatic pressure are only covered when they are directly caused by a general condition of flooding, and only if you purchase an amount of insurance on your building at least equal to 80% of its replacement cost.

Coverage is available to any owner of property, including condominium associations, farms, and builders of a building being constructed. Contents coverage is also available for an additional premium. Tenants in eligible communities may also apply for coverage under this program to insure their personal property against flood loss.

If you need additional information about the types of property that are not insurable under the NFIP or limits on the available amounts of insurance, you should contact your insurance agent, your company, or the NFIP.





8.

What You Should Know About Force-Placed Property Insurance

If you finance the purchase of a home, your lender may require you to carry fire insurance on that property. If you do not purchase fire insurance, the lender may “force place” coverage for you, and you will have to reimburse the lender for the premiums paid. This is called force-placed property insurance coverage, and it generally only protects the interest of the lender, and may not cover any of your personal property.

In addition, if you finance the purchase of any personal property, such as an appliance or furniture, it is likely that the retailer or person that extends you credit may require you to carry insurance or offer you an opportunity to purchase insurance on the item that you financed. The retailer may ask if you would like to purchase *credit property* insurance to cover loss to that property. Even though the retailer may require you to purchase insurance, you can purchase property insurance coverage from an insurer or agent of your choice. Furthermore, you should **not** purchase credit property insurance coverage if it duplicates the property insurance coverage you already have because most policies do not allow you to collect twice. Check with your agent if you are not sure whether you have purchased duplicate coverage.

Remember, if you do purchase credit property insurance, you have 10 days to change your mind and get a full refund.

Also, be aware that if you purchase credit property insurance through your credit card company, your premium is based on the monthly outstanding balance, which can include anything that has been charged to your credit card. However, your insurance coverage applies only to tangible personal property. Therefore, you could be paying premiums on items not covered under your policy such as meals, gasoline, and entertainment.

9.

What You Should Do If You Have Problems Obtaining a Policy

If you have been turned down by one company for homeowners insurance, try other companies. Do not assume that you will be turned down by all companies. Just as companies have different premiums, they also have different underwriting requirements. Keep trying.

You may not be able to buy one of the usual homeowners policies if your home is in need of repair. If you are unable to purchase a package homeowners policy because repairs are needed or because of some other reason, you may be able to purchase two separate policies, one containing coverage for your home and personal property and the other containing liability coverage. This may be more expensive than purchasing a homeowners policy, but it is better than having no coverage at all.

If you are unable to obtain insurance for your home from a private insurance company after trying the above alternatives, limited insurance protection is available through the Virginia Property Insurance Association.





9. What You should Do if You Have Problems Obtaining a Policy

Virginia Property Insurance Association

This association provides property insurance coverage for fire, lightning, removal, hail, explosion, riots, smoke, vandalism and malicious mischief. Coverage for glass breakage is not included. There is also a broader policy available for eligible properties. This policy provides coverage for several more causes of loss, including glass breakage. Liability insurance and theft coverage may also be purchased but only if the property is eligible. This program should be a last resort because the premium is generally higher and the coverage is frequently more limited than in policies sold by private companies.

For further information contact any insurance agent. You may also contact the:

Virginia Property Insurance Association

Post Office Box 6649
Richmond, Virginia 23230-6649
(804) 358-0416
(800) 899-7973





10.

Things You Can Do to Protect Your Property

- Keep your home free of oily rags and trash buildup and do not store a lot of gasoline.
- Do not store combustible items in the attic, basement or any place where heat builds up.
- Buy a fire extinguisher and keep it handy.
- Install smoke detectors and deadbolt locks and consider installing an approved fire and burglar alarm system.
- Practice home fire drills. Everyone should know what to do if there is a fire.
- Check lamps, lamp cords, and light switches to make sure there is no faulty wiring.
- Teach your children not to play with matches.
- If you purchase a wood stove, have a professional install it.
- Place decals on the windows of the rooms of children or the elderly so that they can be evacuated in an emergency.
- Never smoke in bed.
- Keep a record of the serial numbers of your valuable possessions.
- Keep your sidewalks in good condition.
- When you are away from home, get a neighbor to check your house. Use a timer to turn your lights on and off, lock all windows and doors, and consider notifying the police if you will be away for an extended period of time.
- Do not hide your keys in a special place outside your home. Usually burglars know where to look for keys.
- Add window locks and peepholes.
- Make sure the exterior of your house is well lighted.



10. Things You Can Do to Protect Your Property

- Prepare an inventory of your household personal property before you have a loss. Whenever possible, include the make, model, and serial number of each item. Your agent or insurance company may be able to provide you with a booklet or a form you can use to record your inventory. You may also wish to prepare a video tape inventory of your home and your personal property. Keep your inventory in a safe place, such as a safe deposit box, where it cannot be lost or damaged.
- If you make an addition to your home, remember to increase your insurance coverage.





11.

What You Should Do If You Have a Loss

When you suffer a loss and wish to file a claim, you should contact your insurance agent or company immediately. The sooner you file your claim, the sooner you can expect to receive payment. Your homeowners insurer may require that a notice of claim be in writing. You will be given complete instructions on how to proceed.

Remember that your insurance policy sets time limits for getting certain things done. If you do not fill out your claim forms promptly, or if you fail to protect your property from further damage or otherwise fail to cooperate with your insurance company, your claim may not be settled to your satisfaction.

All homeowners policies issued in Virginia require you to do the following when a loss occurs:

- Give immediate notice of a possible claim to your agent or company. If the loss is by theft, notify the police. If you have lost your checkbook or credit cards, notify the bank or credit card company.
- Protect your property from further loss or damage. If you make emergency temporary repairs, keep a record of what you spend. This could include things like covering broken windows or shutting off the gas.
- Give your agent or company a list of all damaged, destroyed or stolen property.
- Show the damaged property to your agent or company, if asked.



11. What You Should Do If You Have a Loss

If you feel that the amount of money offered by your insurance company to pay for a loss is not fair, there are several alternative courses of action that you may consider:

- You can request that the loss be valued by appraisers who do not work for your insurance company; or
- You can hire a lawyer to represent your best interests.





12.

Other Insurance Policies Homeowners Should Know About

Mortgage Guaranty Insurance

Mortgage Guaranty Insurance protects the mortgage company when a homeowner fails to pay the mortgage payment(s). The mortgage company may require the homeowner to purchase mortgage guaranty insurance in return for lending the money that is needed to purchase the home or condominium. When this insurance is purchased, the homeowner pays the mortgage guaranty insurance premium and the mortgage company is protected by the mortgage guaranty insurance policy.

This is different from the type of “mortgage” insurance a homeowner can buy to pay off the mortgage in the event of death.

Title Insurance

Title Insurance policies cover losses if a land title is not free and clear of defects that were not known when the title insurance was written. Title insurance protects the purchaser if there is a defect in the title, such as a lien against the property, that was not discovered at the time of sale. Although a title search is a routine part of the property transfer, it is possible that a search may overlook a lien or claim on the property.

There are two types of title insurance. One type insures the mortgage company. Virtually all mortgage companies request title insurance before they will agree to lend money for the purchase of a home or condominium. The other type protects the owner. Since the mortgage company insists on title insurance, for just a few dollars more you can obtain an owner’s title insurance policy to protect your investment.

Virginia law allows you to negotiate your title insurance rate, so be sure to talk to your title insurance agent or title insurance company about getting the best rate possible. Also, if you are refinancing your mortgage, be sure to ask if the title insurance company offers a discount or re-issue rate.



13.

Frequently Asked Questions

- 1. My policy has a limit for other buildings and structures, but I do not have a garage or a shed. Am I paying for coverage I do not need?**

The homeowners policy is a package policy designed to meet the needs of most homeowners. Although it may provide some coverage that you do not need, it is less expensive for the company to issue a policy this way than to tailor it to each policyholder's needs. The result is a policy that provides broader coverage at a lower price.

- 2. I submitted a claim for damage to my dwelling. I have replacement cost coverage, but my insurance company only paid part of the cost of repairs. Can they do that?**

The homeowners policy provides replacement cost coverage for covered buildings without deduction for depreciation. Usually the insurer makes an initial partial payment (based on the actual cash value of the building). Once the property has been repaired or replaced, the insurer will pay the difference, up to the policy limits, between the amount already paid and the cost to repair the damaged portion of the building with similar construction. It is important to remember that if you elect to repair or replace the building, you must notify the insurer of your intention to do so within 6 months from the date of the insurer's last actual cash value payment. Also, your policy requires you to make repairs within a reasonable length of time, so always work closely with your insurer.



- 3. I recently submitted a claim for several items stolen from my home. The insurance company indicated it will not pay my claim unless I submit bills, receipts, or related documents that will prove I owned these items and justify the values that I am claiming. Do they have the right not to pay unless I give this information?**

Yes. The insurance company has the contractual right to request any information it feels is necessary to confirm ownership and value of the items claimed. The ultimate responsibility of proving the loss is yours.

- 4. Is there a grace period for late payment?**

No. The company may cancel your policy for nonpayment if the payment is even one day late.

- 5. How long does a company have to settle my claim?**

The company should acknowledge receipt of your claim within ten working days. There is no specific time limit in which the company must settle your claim since each claim is different and the length of time to settle may vary. However, the company should advise you every forty-five days after notification of the claim the reasons why additional time is needed for investigation.

- 6. I just received a nonrenewal notice because of two claims I made over the past couple of years. Why has the company nonrenewed my policy when these claims were not even my fault?**

Insurance companies develop guidelines that help them determine if you still qualify for their policy. Companies' guidelines will vary. Although companies are concerned if a loss is the result of negligence, they also review and consider the size of the loss(es) and how often losses occur.



13. Frequently Asked Questions

7. **Can an insurance company refuse to issue me a policy or increase my premium if I have bad credit or if someone in my household has bad credit?**

Yes, but your insurance company cannot *nonrenew* your policy *solely* on the basis of your credit report. If an insurance company takes an adverse action based in whole or in part on your credit report, the insurance company must tell you the primary characteristics that were used as the basis for the adverse action or tell you that you have the right to request this information. Also, if your insurance company uses your credit report to rate or underwrite your policy, it must tell you at the time of application that you have the right to request that your credit report be updated (no more than once during any policy term) and that you have the right to question the accuracy of the credit information. Certain factors may not be used when evaluating your credit information, such as your income, gender, address, zip code, ethnic group, race, color, religion, marital status, and nationality. Other factors are prohibited, too, such as information shown on your credit report as being in dispute, insurance inquiries, non-consumer initiated inquiries, and those indicated as being medical industry accounts.

8. **My insurance premiums are paid by my mortgage company. Can I shop for a better rate and change companies?**

Yes, you have all the rights and privileges of a consumer who pays their premium directly to the company. However, some mortgage companies require advance notice of a change in insurance companies. Check with your mortgage company's insurance monitoring department for their requirements.

9. **Do I need additional coverage under my homeowners policy if I have a business in my home?**

Liability and property coverage associated with a business is often excluded under the homeowners policy. Therefore, you should contact your agent or your company to determine if you are adequately protected. You may have to purchase additional coverage to protect the property that you use in your business or to protect you against any liability that may arise from your business operations.



10. Will my homeowners policy pay for damage to my home caused by an earthquake?

Generally, a homeowners insurance policy does not provide any type of coverage against damage caused by earthquake. Get in touch with your agent if you have questions regarding this type of coverage.

11. Will my homeowners policy cover property damage resulting from mold?

If mold is a *consequence* of another loss that is covered under your homeowners policy, the consequential mold loss is covered. However, if mold is the *direct* cause of loss, it is excluded.

12. Will my homeowners policy cover property damage resulting from acts of terrorism?

Yes, terrorism exclusions are not allowed under the homeowners policy in Virginia. However, the act of terrorism must result in damage to your property from an otherwise covered peril.

13. Is a boat covered by my homeowners policy?

Most homeowners policies provide a small amount of property coverage for watercraft. The amount of coverage may vary, but \$1,000 is typical. If you need additional coverage, you should ask your agent or company. Since watercraft is "personal property," the causes of loss and exclusions applicable to personal property or contents apply. It is important to note that watercraft (except row boats and canoes) is **NOT** covered for windstorm or hail unless the property is inside a fully enclosed building.

14. Can I purchase identity theft coverage under my homeowners policy?

Some insurance companies offer this coverage. Check with your agent or insurance company to see if this coverage is available.



14.

What About Insurance Complaints?

A. Know Your Rights

If an insurance company refuses to issue a homeowners policy or cancels or nonrenews your policy, Virginia law requires that the company tell you the reason why. If you are refused insurance, make the request for the reasons. If you are denied insurance based on incorrect information, the company is required to allow you to copy its file concerning you and to correct any incorrect information that the file may contain.

However, you may not be refused insurance solely because of your age, sex, residence, race, color, creed, national origin, ancestry, marital status or lawful occupation, including the military service. Also, you may not be refused insurance:

- **solely because of the age or location of your home;**
- **solely because of a previous owner's losses;**
- **because you were denied insurance by another company; or**
- **because you purchased insurance through the Virginia Property Insurance Association.**

Except for the reasons stated above, an insurance company may cancel a new insurance policy within the first 90 days of issuance for any reason. Also you should know that Virginia law prevents an insurance company from canceling your owner-occupied homeowners policy after the first 90 days except for specific reasons. This cancellation law applies to your homeowners policy only if you own your own home; it does not apply to renters policies. The specific reasons for canceling your owner-occupied policy after the first 90 days are:

- **failure to pay the premium for the policy when due;**



- **conviction of a crime arising out of acts increasing the hazard insured against;**
- **discovery of fraud or material misrepresentation;**
- **willful or reckless acts or omissions increasing the hazard insured against as determined from a physical inspection of the insured premises; or**
- **physical changes in the property that result in the property becoming uninsurable as determined from a physical inspection of the insured premises.**

A company is allowed to nonrenew your homeowners policy at the end of a term for any reason if you are given 30 days' written notice prior to the expiration date of your policy.

However, the company cannot refuse to renew your policy solely because of your age, sex, residence, race, color, creed, national origin, ancestry, marital status or lawful occupation, including the military service. Nor can the company nonrenew your policy solely because of any claim resulting primarily from natural causes, because of an inquiry you made about your coverage or your policy provisions, because of credit information, or because of claims that are older than 5 years.

A company intending to nonrenew your homeowners policy must give you notice in writing stating the termination date and the reason for termination. The notice must also tell you that you have a right to appeal to the Insurance Commissioner and that you might be eligible for insurance through the Virginia Property Insurance Association.

The cancellation and non-renewal laws do not apply to renters insurance. Check your renters policy for the applicable termination provisions or call your agent or company if you have any questions.

As a policyholder, you have the right to collect the benefits promised should a loss occur. If you make a claim, and you believe that your insurance company is not living up to its contractual obligations, you can force the company to honor your valid claims.



14. What About Insurance Complaints?

B. When a Problem Occurs

1. Contact Your Agent or Company

If you believe you have been improperly terminated or denied homeowners insurance illegally or if you believe your insurance company has refused to pay all or part of a valid claim, you have the right to question and complain. Your first step should be to contact your agent or company. Sometimes a mistake has been made, and it will be corrected if an inquiry is made. When making contact, supply your name, address, telephone number, policy number, type of policy, and the nature of your complaint.

A complaint by letter is best. Keep a copy of your letter.

If you complain by telephone, keep a written record of:

- The date and time of your call.
- The name of the person you talked to.
- What was said during the call.

2. Help from the Bureau of Insurance

If you do not receive a prompt, courteous and satisfactory response, you may need to get help to resolve your problem. The State Corporation Commission **Bureau of Insurance** provides free professional information and complaint service to all Virginia residents.

To use these services you can:

- **Call 371-9185** if you live in Richmond
- **Call (804) 371-9206** for Telecommunications Device for the Deaf
- **Call (877) 310-6560** the **toll-free** Hot-Line Number
- **Fax (804) 371-9394**
- **Review the Bureau's Web site:**
www.scc.virginia.gov/division/boi/
- If you want to email us with a general question, please contact us at: bureauofinsurance@scc.virginia.gov



- **Visit the Bureau of Insurance**

Tyler Building
1300 East Main Street
Richmond, Virginia

- You may use the complaint form found in the back of this booklet and mail it to:

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
Box 1157
Richmond, Virginia 23218

- If you would like to file a complaint with us electronically, please visit our website for instructions on how to file a complaint on-line.

The Bureau of Insurance will:

- Thoroughly investigate your complaint;
- See that you get a clear response to your questions;
- Cut through red tape;
- Correct misunderstandings.

But the Bureau cannot:

- Force a favorable action on your complaint if it is not supported by facts and law.
- Provide legal services that are sometimes required to settle complicated problems.

If the Bureau is unable to resolve a problem, we will tell you why. If the law and facts are on your side, we will try to see that your rights are protected and that your complaint is resolved in a satisfactory manner.



15.

Glossary

1. **actual cash value (acv)** – the value of the property is figured by determining what it would cost to replace the property (see replacement cost) and is then adjusted by subtracting an amount that reflects depreciation.
2. **additional living expense** – covers additional temporary expenses for hotel/apartment living while you are unable to live in your home because of damage to your home caused by a peril covered by your homeowners policy. This does not cover all your expenses, only that amount which is above and beyond your normal living expense. Should you stay with family or friends and do not create extra expense, no payment will be made.
3. **commission** – a percentage of the policy premium that an insurance company pays to an insurance agent for servicing the account.
4. **deductible** – an amount that you pay in a property claim. The amount can range from \$100-\$10,000.
5. **liability coverage** – coverage for injury to another person or another person's belongings when the loss is your fault.
6. **medical payments coverage** – covers medical expense for a person who is injured in an accident at your home even if you are not at fault (medical payments coverage does not include coverage for you or a member of your household).



7. **named peril policy** – covers any loss that is caused by one of the covered perils named (specified) in the policy.
8. **open perils policy** – covers damage or loss from all causes except causes that are specifically excluded.
9. **other structures** – (also referred to out-buildings) detached buildings on your property (such as a tool shed or garage).
10. **peril** – cause or event that causes a loss (such as fire, lightning, theft, etc.).
11. **personal property or contents** – includes everything in your home such as clothes, furniture, appliances, etc.
12. **property damage coverage** – coverage for your house and personal property.
13. **replacement cost** – the replacement cost of a building equals the amount it would cost to construct the house or building today using materials of the same kind and quality. The



State Corporation Commission
Bureau of Insurance
Property and Casualty Division
Post Office Box 1157
Richmond, VA 23218

I wish to file a complaint: (please print)

1. My name is: _____ Day Telephone: _____
(Area Code+Number)

2. Mailing Address: _____
(Street/Apt. Number)
City: _____ State: _____ ZIP: _____

3. If you are not the insured or the person on whose behalf this complaint is being filed, please tell us who is and explain your relationship:

4. I am complaining against:

a. My insurance company: _____
(Name of Insurance Company or Agent)

(Address, if known)

(Phone Number)

b. Other party's insurance company: _____

(Name of Insurance Company)

(Other party's name)

(Policy or Claim Number)

5. The Insured's Policy, Claim, Certificate or ID Number is: _____

6. The type of insurance is: _____ Auto _____ Homeowners _____ Other _____
(please circle)

Date of Loss: _____

The details of my complaint are: (type or print clearly, use other side if needed)

I am enclosing copies of all correspondence or other papers relating to this matter that may assist the Bureau of Insurance in its evaluation of my complaint. I understand and agree that a copy of this form and any or all of the enclosed information may be provided to the party complained against, other regulated entities, or the appropriate state or federal agency. I also authorize the insurance company to release all medical records relating to this complaint to the Bureau of Insurance, and I authorize the Bureau of Insurance to release medical records relating to this complaint to the insurance company. I also agree that by signing this form I authorize the Bureau of Insurance to obtain any information required to evaluate my complaint.

(Date)

(Signature)

Homeowners Insurance Quotation Worksheet

Applicant:

Address of Property
to be Insured

Number of Losses in Last 3 Years if Covered by Homeowners or Fire Insurance

Dwelling:

Number of Apartments or Households in Building

Construction
(frame, brick, etc.)

Owner Occupant

Major Options

Age of Dwelling

Central Air Cond.

Number of Stories

Age of Roof

Central Vacuum

Number of Rooms

Age/Type of Furnace

Gen. Burglar Alarm

Total Square Feet

Smoke Detectors

Other

Inside City Limits

Outside City Limits

Name of Fire Dept.

Current Dwelling
Replacement Cost

Current Market Value
of Dwelling and Land

Purchase Price
of Dwelling

Distance from Hydrant/Station

feet/miles

The Cost of Your Insurance:		Annual Premium:	
Policy Form(s)		Co. Name	Co. Name
Property Coverage and Amount			
A. Dwelling		\$	\$
(equals % of replacement cost)			
B. Other			
Structures		\$	\$
C. Unscheduled			
Personal Property		\$	\$
D. Additional Living			
Expense		\$	\$
Liability Coverage and Amount			
E. Personal Liability			
(bodily injury and			
property damage)		\$	\$
	per occurrence		
F. Medical Payments		\$	\$
	per person		
Deductible Amount	\$	\$	\$
Scheduled Personal Property	\$	\$	\$
Other Coverage(s)	\$	\$	\$
Total Annual Premium	\$	\$	\$
Installment Charges (if applicable)	\$	\$	\$
Total Annual Cost of			
Homeowners Insurance	\$	\$	\$

Notes

From:

Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
Box 1157
Richmond, VA 23218

To: